Ontario

MINISTRY OF
ENERGY

Electricity Rate Mitigation Update

September 2016

Overview

- The Electricity Rate Mitigation initiative would provide relief across all electricity consumer classes and includes the following elements:
    1. Provide an 8% rebate equal to the provincial portion of HST to consumers eligible for the Regulated Price Plan (i.e., residential, small business and farms) and other eligible consumers.
    2. Amend O. Reg 442/01 (Rural or Remote Electricity Rate Protection (RRRP)) to provide additional relief to Hydro One's low-density rural customers (classified as R2); and
    3. Amend O. Reg. 429/04 (Adjustments Under Section 25.33 of the Electricity Act, 1998) to expand Industrial Conservation Initiative (ICI) eligibility by lowering the threshold to 1 MW, to provide support to some current Class B electricity consumers (i.e., commercial, institutional and small industrial)
    4. Recycle cap and trade proceeds to commercial and industrial electricity consumers to provide a reduction in rates.
- Items #1-3 are targeting to be in place by January 1, 2017, while item #4 will track separately following discussions with MOECC.
    - Under the proposed legislation, LDCs would have a final deadline of July 1, 2017 to provide the 8% rebate to eligible consumers.
- This deck provides an update on items 1-3 of the mitigation strategy, including next steps. Requested decision points are noted on slide

Status and Proposed Path Forward

Status:

- Bill 13, *Ontario Rebate for Electricity Consumers Act, 2016*, (ORECA) was read for the first time on September 15, 2016. This Act, if passed, would establish an 8% rebate for eligible electricity consumers.
    - Bill 13 is currently at second reading. If passed at second reading, Bill 13 would be referred to committee. Timing is TBD.
- New supporting regulations under ORECA will need to be developed to support the 8% rebate.
- Additionally O. Reg 442/01 and O. Reg 429/04 will need to be amended to address RRRP and ICI respectively. These are rate-mitigation measures independent of the rebate legislation.

Timing and Proposed Path Forward

- Energy proposes to post a single regulatory proposal to the Regulatory Registry for 45 days outlining the intended amendments to O. Regs 442/01 and 429/04 and the development of new regulations under ORECA. Planned posting for end of September.
- The Regulatory Posting would provide an appropriate vehicle to initiate consultations with stakeholders on all the necessary regulatory amendments in support of the electricity rate mitigation initiative.
- Energy proposes to track all three regulatory items to LRC for November 23rd LRC (leaving the mid-December LRC date as a back-up.)
- TBS approved an expenditure increase of $300 million in 2016-17 in the Ontario Rebate for Electricity Consumers Transfer Payment line. The Ministry will report back during the 2017-18 Program Review, Renewal, and Transformation process on updated future year impacts.

8% Rebate

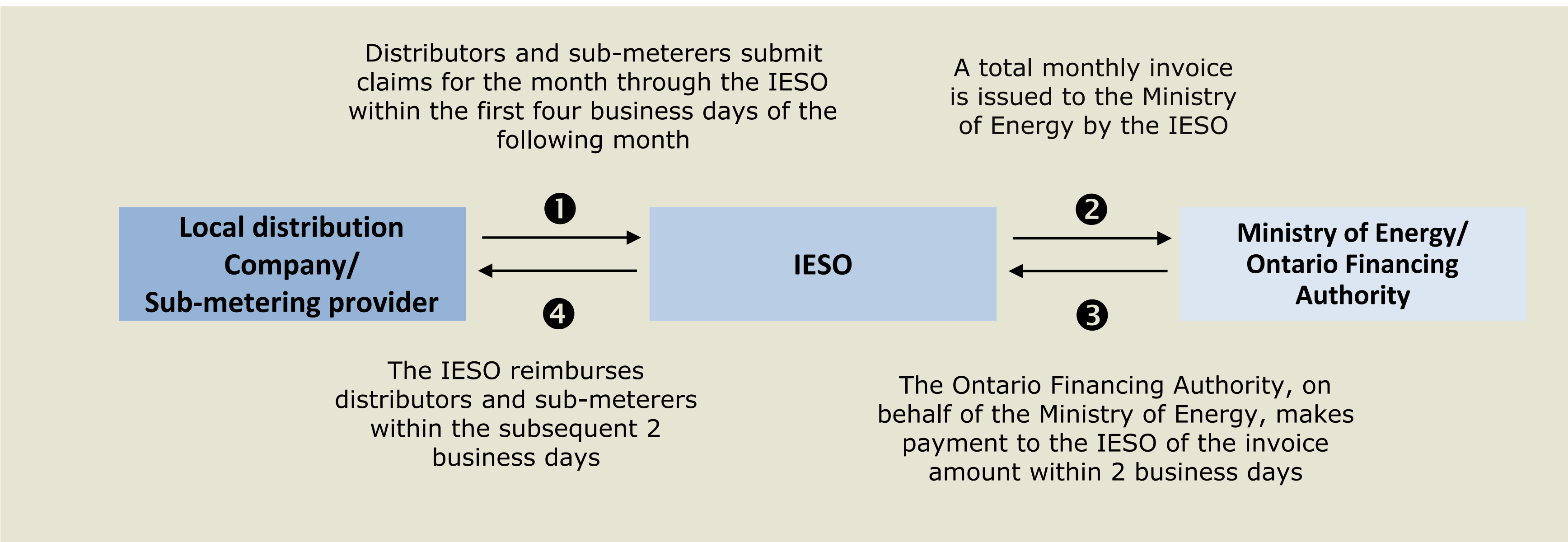
Considerations

Required Regulatory Mechanisms

- Implementing the 8% rebate will require ENERGY to develop a **Minister's Regulation** and an LGIC approved **General Regulation**, to be made under the authority of the new Act, if passed.
- As Bill 13 proceeds through the legislative process, work on necessary supporting regulation will need to occur in parallel, in order to have the necessary supporting regulatory mechanisms in place in advance of January 1, 2017 in order to give the IESO, LDCs and others partnering with Government time to address settlement, billing and systems requirements.
- The General Regulation must address the following implementation factors:
  - Reimbursement/payments process;
  - Reporting, record-keeping and auditing requirements;
  - Eligibility of remote unlicensed distributors
- The Minsiter’s regulation must address bill presentment.
- The Ministry will post a proposal on the Regulatory Registry outlining how it intends to address these factors, tracking closely to the operation of the Ontario Clean Energy Benefit.
- In-person stakeholder sessions will be held in October to adjust proposal as warranted based on feedback. Tracking for LRC in November which is after conclusion of 45 day posting period.

Transferring the OCEB Reimbursement Process

- Under the OCEB reimbursement process, host distributors and unit sub-metering providers submit claims to the IESO in the amount of OCEB to which eligible consumers are entitled for the month and any adjustments to be made for earlier months
  - Reimbursement is made on the basis of these claims
- The reimbursement process occurs as follows:



- ENERGY intends to model the reimbursement process for the 8% rebate on the OCEB process, subject to stakeholder feedback.

Working Group Membership

Proposed Working Group Membership	
Bluewater Power	Hydro One
Brantford Power	IESO & OEB
Burlington Hydro	London Hydro
Electricity Distributors Association	Oakville Hydro
Enercare Connections (sub-meter provider)	Powerstream
Enwin	Thunder Bay Hydro
Essex Powerlines	Toronto Hydro
Goderich Hydro	Veridian Connections
Horizon Utilities	Waterloo North Hydro

- ENERGY intends to engage impacted stakeholders including the IESO, the OEB and LDCs to seek input on the drafting of the General Regulation made under the *Ontario Rebate for Electricity Consumers Act, 2016*, if passed.
- ENERGY intends to use the recent OESP working group as a starting-point for membership in a working group established to facilitate the implementation of the 8% rebate and the ICI.
- ENERGY will seek input from EDA, Minister's Office, and others on appropriate membership for the working group.

Independent Power Authorities

- Independent Power Authorities (IPAs) are not regulated by or are a part of Ontario's electricity system.
  - 1,700 customers are served by 10 IPAs in remote First Nation communities where diesel is used for electricity generation and distributed by small local grids not connected to the IESO-controlled grid (See the Appendix for a complete list of all IPAs)
- Current policy intention is that customers served by IPAs in remote First Nation communities would be eligible for the 8% rebate, as they were previously eligible for the OCEB.
- A separate program, keeping with the basic program design described in the legislation, could be created to address IPA billing system limitations. This program could mirror the previous OCEB program established for IPAs – i.e.
  - IPAs would be reimbursed for the 8% rebate on the basis of a monthly report and invoice submitted to the Ministry of Energy
- Only four IPAs (Weenusk, Nibinimik (Summer Beaver), North Spirit Lake and Muskrat Dam) had fully enrolled and participated in the OCEB IPA program by entering into separate contracts with the Ministry of Energy.

Considerations:

- The previous arrangement with IPAs to receive the OCEB was administratively complex and less than half of the eligible IPAs registered to participate in the program. (See Appendix for details on the enrolment process)
- The Minister of Energy has requested that the Ontario Energy Board examine and report on options for an appropriate electricity rate (or rate assistance) for on-reserve First Nations electricity consumers, including those who may not be connected to the IESO-controlled grid and those served by power systems not regulated by the Board, such as IPAs.

Bill Presentment

- The bill presentment related requirements will be set out in a Minister's regulation made under the ORECA.
    - Regulation will include the exact language (wording and/or graphics) which distributors and other bill issuers must use when reflecting the 8% rebate on consumers' bills.
        - This will include the line item and any on-bill messaging, envelope messaging, and/or bill stuffer messaging.
    - Discussions will be held with the EDA/utilities to determine the approach to adding bill lines/messages to reflect the RPP rebate and the increased RRRP subsidy.
    - The discussion will also include other communications opportunities such as envelope messages, and how utilities unable to meet the January start date (and therefore required to provide retroactive payments) will advise consumers.
    - Any line item or messaging related to the increased RRRP subsidy will be set out in an amendment to the existing low-volume consumer bill presentment regulation (O. Reg. 442/01) since RRRP is unrelated to the ORECA.
- Preliminary recommended messaging on bills (see next slide for mockups):
    - RPP only customers:

      Line item: Rebate equal to Ontario's portion of HST (8%) …………………(xx.xx) Envelope: 8% off your electricity charges. See your bill or visit Ontario.ca\energy
    - RRRP customers:

      On-bill message: Delivery is already reduced by $xx.xx through the Rural or Remote Rate Protection program.

      Envelope: Ontario is making electricity more affordable! Charges for eligible rural consumers now reduced by an average of 20%. See your bill or visit Ontario.ca\energy *(alternative: Hydro One webpage.)*

Bill Presentment – Sample bill messaging

SAMPLE MONTHLY BILL STATEMENT
Toronto Hydro-Electric System Limited - Main

Account Number:
000 000 000 000 0000

Meter Number:
00000000

Your Electricity Charges

Electricity	
Off-Peak @ 8.700 ¢/kWh	41.20
Mid-Peak @ 13.200 ¢/kWh	16.35
On-Peak @ 18.00 ¢/kWh	23.60
Delivery	53.07
Regulatory Charges	4.79
Debt Retirement Charge	0.00
Total Electricity Charges	**$139.00**
HST	18.07
Rebate equal to Ontario's portion of HST (8%)	(11.12)
Total Amount	**$145.95**

SAMPLE MONTHLY BILL STATEMENT
Hydro One Networks Inc. - Residential - Low Density (R2)

Account Number:
000 000 000 000 0000

Meter Number:
00000000

IMPORTANT THINGS YOU SHOULD KNOW
Delivery is already reduced by **$60.50 through the Rural or Remote Rate Protection program.

Your Electricity Charges

Electricity	
Off-Peak @ 8.700 ¢/kWh	56.55
Mid-Peak @ 13.200 ¢/kWh	22.44
On-Peak @ 18.00 ¢/kWh	32.40
Delivery **	81.77
Regulatory Charges	6.88
Debt Retirement Charge	0.00
Total Electricity Charges	**$200.04**
HST	26.01
Rebate equal to Ontario's portion of HST (8%)	(16.00)
Total Amount	**$210.05**

Treasury Board Submission

- On September 12, 2016, TBS approved, in principal, an expenditure increase in the amount of $300,000,000 in 2016-17 in the new Transfer Payment line entitled “Ontario Rebate for Electricity Consumers”.
  - Funding for 2016-17 will be implemented through Supplementary Estimates in the Fall of 2016 to reflect the creation of the Ontario Rebate for Electricity Consumers. It is expected to be tabled once the Ontario Rebate for Electricity Consumers legislation has passed.
  - The Ministry is directed to return any under-spending to the Treasury Board Contingency Fund.

- The Ministry has been asked to report back to Treasury Board in the 2017-18 Program Review, Renewal, and Transformation process on program update, including:
  - updated future year impacts (currently estimated at over $1 billion annually); and
  - resource requirements to support program implementation and potential offset strategy.

Ministry Implementation

- In addition to work to prepare the enabling Regulations, the Ministry will need to consider and prepare for its own operational role in order to be able to provide rebates beginning on January 1.
- For OCEB, the Ministry acted as intermediary in the transfer of funds between the IESO and OFA. As well, the Ministry operated a data portal for LDCs to report into. This portal allowed for cross-referencing of claims submitted by the IESO.
- The Ministry will work with the IESO and OFA to ensure processes are in place to re-establish this process, as it is considered optimal to model operations as closely to OCEB as possible.
- However flexibility may be required should LDCs request specific modifications during the consultation period. The Ministry will report regularly on timing and implementation risks associated with its own operational role.
    - The Ministry portal may be identified as an operational burden. This will be weighed against the benefits of collecting a second data set for verification purposes.

Industrial Conservation Initiative Expansion

Considerations

Industrial Conservation Initiative (ICI) Expansion

- Currently, electricity consumers over 5 MW and consumers from 3-5 MW in certain energy intensive sectors are eligible for ICI (i.e., approximately 300 Class A consumers).
    - Consumers participating in ICI include the following sectors: pulp and paper, auto, manufacturing, chemicals and mines.
- ICI would be expanded so that all consumers over 1 MW are eligible for the program, which would:
    - Reduce electricity peak demand and electricity system costs by incenting more consumers to lower their electricity demand during peak periods;
    - Reduce electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods; and
    - Increase the electricity bills for non-ICI participants to ensure full cost recovery in the electricity system.
- Implementing an expansion of ICI eligibility will require an amendment to O. Reg. 429/04 .
    - ENERGY and LSB are already working on a draft amendment and has engaged IESO on the proposed approach.

Industrial Conservation Initiative (ICI) Expansion (cont'd)

- In order to be eligible under the proposed changes to ICI, a consumer would need to have an average maximum monthly peak demand in excess of 1 MW for the 12-month period from May 2017 to April 2018.

- Customers who qualify for the expanded ICI would be notified by their distributor by May 31, 2018 and would need to opt in to the initiative by notifying their distributor by June 15, 2018. Consumers that opt-in would begin being billed as an ICI participant on July 1, 2018.

- Ministry staff recommend expanding the ICI program a year sooner than currently proposed to provide faster opportunities for rate mitigation.
  - As currently proposed, the year-long base setting period for the expanded program would begin in 2017, with the cost savings seen by consumers starting in July 2018.

Rural or Remote Rate Protection Expansion

Considerations

RRRP Expansion Overview

- ENERGY is proposing to amend O.Reg 442/01 made under the *Ontario Energy Board Act, 1998* to provide an additional $110 million in rate protection to eligible rural or remote electricity consumers (Hydro One customers classified as low-density) and consider options to periodically adjust the amount of rate protection available to these consumers going forward.
- Today, RRRP is an approximately $175-million program. Each year, the Ontario Energy Board (OEB) approves a RRRP benefit amount to be collected from all electricity distributors by the Independent Electricity System Operator (IESO). Electricity distributors in turn pass the Board-approved retail RRRP charge on to their customers to recover the RRRP amount paid to IESO.
- ENERGY intends to post the policy proposal on the Regulatory Registry for 45 days as part of the Energy Mitigation Proposal. Timing for the posting is late September.
    - ENERGY has informally consulted with the OEB, the IESO and Hydro One on high-level implementation considerations; however, the posting will permit a formal consultation and will send an appropriate signal to the OEB about the intended increase of $110 million which will inform their setting of the RRRP charge. (OEB needs to finalize the RRRP charge before January 1, 2017.)
    - The posting will also assist Hydro One in providing them with the necessary input information needed to calculate the additional rate subsidy available to R2 customers. This information is needed for Hydro One's fall rate application.
    - Posting will also seek input on options to periodically adjust the amount of rate protection available to these consumers going forward.

RRRP Adjustment Mechanism

- The Cabinet Minute commits Energy to implement a mechanism to periodically adjust the total annual amount of rate protection available to R2 low density electricity consumers under the RRRP, effective on or after January 1, 2018
- ENERGY recommends amending O.Reg 442/01 to provide an additional $110 million in available funding, but deferring amendments to implement the adjustment mechanism until 2017.
  - Amendments adding $110 million in available rate protection must be made in time for January 1, 2017 and are fairly easy to implement.
  - Amendments to put in place an adjustment mechanism are more complex and would benefit from further analysis and input from affected stakeholders, including Hydro One and the OEB. O. Reg 442/01 can be amended again at any time.
    - Opportunity to make further refinements for clarity to RRRP, as flagged by legislative counsel, should the adjustment mechanism be added in a future regulation amendment.
- A number of possible mechanisms to periodically adjust the total annual amount of rate protection available to R2 customers are under consideration:
  - Annual amount of rate protection tied to an annual increase in inflation or other external factor such as OEB's Input Price Indiex
  - Annual amount of rate protection tied to average provincial distribution rate increases (as determined by the OEB)
  - Create a trigger mechanism that would require annual amount of rate protection to be reviewed and adjusted.
- ENERGY would still collect stakeholder input on preferred adjustment mechanisms through the regulatory posting.

Decision Points

Decision Points

- ENERGY staff requesting:
  - Approve draft regulatory posting and plan to post and consult on rate mitigation measures, targeting late November/early December LRC.
  - Confirm comfort with mirroring delivery of the new rebate program after OCEB.
  - Advise on working group membership.
  - Consider exempting IPAs from the rebate program in light of the First Nation's rate initiative.
  - Confirm bill presentment requirements, including requirements for bill issuers who are not "live" on January 1, 2017.
  - Confirm comfort with July 1, 2018 effective date of expanded ICI. July 1, 2017 would provide price mitigation a year earlier.
  - Approve proposal to defer implementation of the RRRP adjustment mechanism to 2017.
  - Whether the Ontario Clean Energy Benefit liability end date to limit future claims should be included in this regulation.

Appendix

List of Independent Power Authorities

- Weenusk (Winisk)*
- Nibinamik (Summer Beaver)*
- North Spirit Lake*
- Muskrat Dam*
- Keewaywin,
- Wawakapewin
- Wunnumin
- Poplar Hill
- Eabametoong (Fort Hope)
- Pikangikum,

* IPAs that fully enrolled and received payment from Ministry of Energy for OCEB

IPA Program Implementation Steps

Step 1
- The Ministry sends IPA a memo inviting participation in the OCEB program (package includes an enrolment application, contract, Minister's Rules, and Energy Report)

Step 2
- IPA submits an enrolment application to the Ministry, which includes any one-time setup cost and/or monthly administrative fee reimbursement requests

Step 3
- Ministry staff review the enrolment application; one-time setup costs and monthly administrative reimbursement budgets are agreed upon and a contract is drawn up

Step 4
- Province and IPA enter into a contract

Step 5
- IPA updates customer billing software or purchases new billing software capable of automatically calculating and showing the OCEB on customer bills (if possible)

Step 6
- IPA begins showing the OCEB on customer bills (with retroactive credit to January 1st 2011 on the first bills that include the benefit)

Step 7
- IPA submits monthly Energy Report within 30 calendar days of the end of a monthly billing period to receive the OCEB reimbursement, including applicable monthly administrative costs

Step 8
- Ministry reimburses the IPA through electronic direct deposit